

Auditor's Annual Report on North Bristol NHS Trust

2020-21

31 August 2021



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We are required under Section 21(3)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Trust or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1. Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Trust has in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified/unqualified VFM conclusion. Instead, auditors report in more detail on the Trust's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Trust's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weaknesses in the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Criteria	Risk assessment	Conclusion
Financial sustainability	Risk identified because of the Trust's significant cumulative deficit	No significant weaknesses in arrangements identified, but improvement recommendation made
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made



Financial sustainability

The underlying structural deficit of £111.419m and the progress towards bringing the Trust back to financial balance over the medium term resulted in the identification of a risk of significant weakness in our Audit Plan for the 2020-21 financial year. The changes in funding and the planning regime as a result of Covid -19 have allowed the Trust to deliver a small surplus of £0.5m in 2020-21.

We have considered the arrangements the Trust has in place to deliver financial sustainability over the medium to longer term, together with its consideration of the risks to delivery and we are satisfied that there are no significant weaknesses in this area for 2020-21. More detail can be found on page 4 of this report.

However, the financial challenge over the medium term remains high and work is needed to ensure that appropriate efficiencies are identified and delivered to mitigate this risk. Therefore, an improvement recommendation has been raised on page 8.



Governance

Our work this year has focused on developing a detailed understanding of the governance arrangements in place at Trust and any changes instigated as a response to the pandemic. No risks of significant weakness were identified as part of the planning process. In relation to governance. More details can be seen on page 9 of this report.

Overall, we found no evidence of any significant weaknesses in the Trust's arrangements for ensuring that it makes informed decisions and properly manages its risks. An improvement recommendation has been raised on page 12 in relation to the maintenance of a central audit recommendation log.



Improving economy, efficiency and effectiveness

The Trust has demonstrated a clear understanding of the issues in improving economy, efficiency and effectiveness. Good progress is being made in relation to the ICS (Integrated Care System) and this will be key to delivering transformation at the system level, long recognised as key to ensuring sustainability for the Trust and the services it delivers. Further details can be seen on page 13 of this report.

Our work has not identified any significant weaknesses in arrangements or improvement recommendations in relation to delivering economy efficiency and effectiveness. An improvement recommendation has been raised on page 15 to update the Procurement Strategy.

2. Use of formal auditor's powers

We bring the following matters to your attention:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body

Our audit work in 2020-21 has not identified any issues that would require us to raise a statutory recommendation.

Section 30 referral

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of an NHS body has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State, and/or relevant NHS regulatory body as appropriate

In April 2019 we issued a section 30 referral to the Secretary of State. This referral covered up to 31 March 2020. The referral related to the Trust's breach of the statutory breakeven duty for the five year period to 31 March 2020. Despite breaking even in 2019-20 and 2020-21, the Trust had not achieved its statutory breakeven duty over its agreed five year period by 31 March 2021. On 25 June 2021 we therefore issued a Section 30 referral to the Secretary of State. This fact is also reflected in our auditor's report (opinion).

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

Our audit work has not identified any issues that would require us to issue a report in the public interest.

3. Commentary on the Trust's arrangements to secure economy, efficiency and effectiveness in its use of resources

All NHS Trusts are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Trust's responsibilities are set out in Appendix A.

NHS Trusts report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 3, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the Trust can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Trust makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the NHS Trust makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Trust delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 6 to 17. Further detail on how we approached our work is included in Appendix B.



4. Financial sustainability



We considered how the NHS Trust:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial Year 2020/21 Outturn

North Bristol NHS Trust has an underlying cumulative deficit position of £111.419m and has not been able to operate within its funding envelope for a number of years, requiring additional funding in the form of sustainability funding to continue to operate.

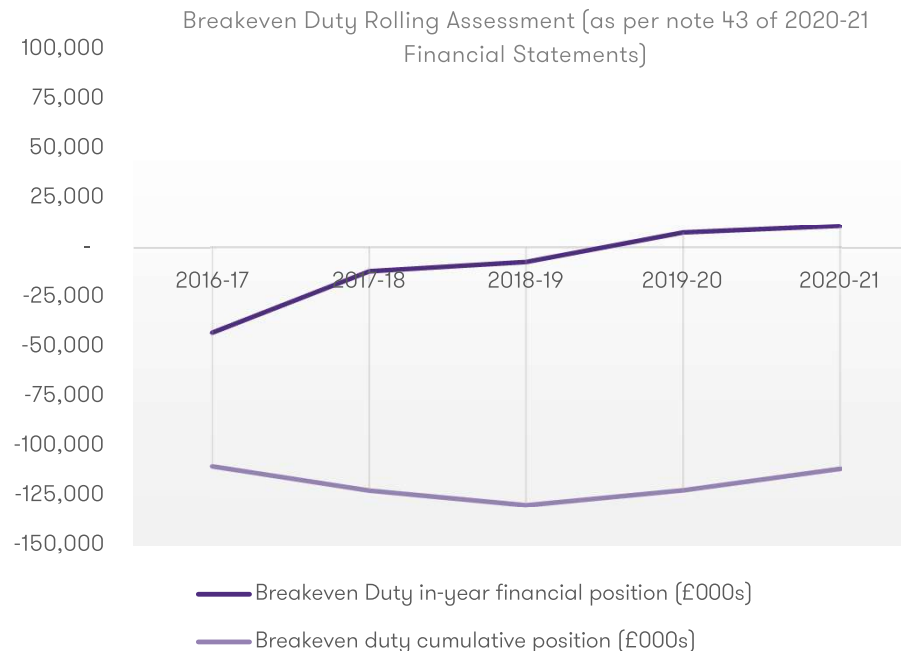
The original 2020-21 financial plan was discussed and approved at the March 2020 Board. This outlined the Trust's control total was to breakeven to enable them to receive £27m of Financial Recovery Funding (FRF) and Marginal Rate Emergency Tariff (MRET). Cost Improvement Programmes (CIP) trackers identified £17.7m of required savings; £12.14m (69%) of which was unidentified at the start of the financial year. As per the Operational Plan for 2021-22 it was proposed that the Trust include £10m delivery of CIP in the plan. This should allow all existing cost pressures to be funded in budget. The Trust continue to target a higher level of CIP delivery in line with the original target of £19.7m which will be needed to deliver any additional investments that are not funded by commissioners.

Due to the Covid-19 pandemic, the normal regime of NHS financial planning was paused in April 2020 and a temporary financial framework was put into place. During the first six months of 2020-21, the Trust was allocated a budget centrally to operate within. Like all NHS Trusts, this was based on the 2019-20 spend with a small uplift. Any expenditure variances from this budget (Covid and non-Covid related) were then funded retrospectively to ensure that for the first six months of the financial year 2020-21, April to September 2020, the Trust had sufficient resources to respond to the pandemic. This regime was later extended to the full year.

For 2020-21 the Trust delivered a surplus of £0.5m. It should be noted that although the Trust has maintained strong financial control, during the pandemic, the surplus outturn position has only been achieved due to the additional Covid-19 funding of £18.8m (excluding mass vaccination and Nightingale Hospital).

NHS Trusts have a statutory responsibility to breakeven over an agreed three or five year period. We have highlighted on Page 4 that the Trust failed to meet this duty resulting in a referral to the Secretary of State. The current cumulative deficit as demonstrated in the chart below is £111.419m.

The financial challenge over the medium term remains high and work is needed to ensure that adequate efficiencies are identified and delivered to mitigate this risk.



Bridging Funding Gaps

The approach to CIP was amended with no national efficiency delivery or reporting requirement for the 2020-21 and 2021-22 financial years. However, Integrated Performance Reports (IPR) continue to be reported monthly to the Finance and Performance Committee and Board. These reports contain monthly monitoring of both operational performance and financial metrics and also workforce metrics. The Trust is aware that performance monitoring relies on good data quality and the IPR reports include a data quality RAG rating and allows extrapolation and impact on financial outturn to be reviewed and scrutinised. Reporting is considered to be sufficiently detailed.

In 2019-20 (the last 'normal' year pre Covid) the Trust aimed to deliver £25m in CIPS and as at the year-end had identified schemes to the value of £22.13m with the full year effect of £18.7m (75% of target). 60% of CIPs were recurrent compared to 41.8% in 2018-19. The reliance upon non-recurrent savings increases pressure to deliver savings in subsequent years.

Financial Planning 2021-22

For the first 6 months of 2021-22 there is a continuation of the Covid-19 response and payment under block arrangements with additional funding for costs of responding to Covid-19 being made available non-recurrently. Although work to develop plans has continued during the year, the clarification of the planning process has led to plans for 2021-22 being submitted in May 2021. Nationally, funding agreements and planning policy is expected to separate 2021-22 into two halves. Plans will need to be updated in September 2021 for the final two quarters of the year, when the ongoing impact of COVID-19 is assessed further.

For the first 6 months of 2021-22 there will be a continuation of the Covid-19 response and payment at cost. For the latter 6 months there is an expectation that there will be a return to 'normal' levels of activity, however full details of the financial regime have not yet been confirmed.

An Elective Recovery Fund has been established nationally, to provide funding to allow the NHS to address the backlog in patient care. The Trust expects and has planned for baseline activity expectations based on 2019-20 outturn, as the most recent full non Covid-19 year, with two years of growth added but with Covid-19 reduced productivity accounted for.

To access this fund (approximately £85m in the South West region), Integrated Care Systems will need to recover activity to 85% of this baseline by end of quarter one. There will also be a focus on reducing the longest wait times for treatment. Demonstrating how the system will reduce health inequalities and further transform service delivery will also be key to attracting this funding. The Trust recognises that returning to full productivity remains an operational and workforce challenge and are part of a pilot accelerator programme to increase activity further to 120% of 2019-20 levels in 2021-22.

Our review has not identified any weaknesses in the Trust's financial planning and monitoring arrangements, with a coherent link between objectives and operational planning which informs the budget setting process. However, the need to continue planning to return the Trust to financial balance over the medium term will need to be progressed and we have raised an improvement recommendation on page 8.

Identifying and assessing financial risks

The Trust has adequate arrangements in place for identifying and assessing risk. This is addressed through the Trust's reporting structure, with the Finance and Performance Committee reporting into the Board. The Trust Level Risk Register and Board Assurance Framework include appropriate financial risks. These risks are monitored and updated throughout the period and reporting is clear and transparent, which allows risks to be fully understood and mitigated. Risks are appropriately captured within the planning process.

Conclusion

The underlying structural deficit and the progress towards bringing the Trust back to financial balance over the medium term resulted in the identification of a risk of significant weakness in our Audit Plan for the 2020-21 financial year. The changes in funding and the planning regime as a result of Covid -19 has allowed the Trust to deliver a small surplus in year, effectively de-risking the Trust's financial position in the short term.

We have considered the arrangements the Trust has in place to deliver financial sustainability over the medium to longer term, together with its consideration of the risks to delivery and we are satisfied that there are no significant weaknesses in this area for 2020-21.

However, the financial challenge over the medium term remains high and work is needed to ensure that adequate efficiencies are identified and delivered to mitigate this risk. Therefore, an improvement recommendation has been raised on page 8.

Improvement recommendation



Financial sustainability

Recommendation

The Trust should:

- ensure that the financial implications of new ways of working, including 'new normal' activity levels, inflation and growth, are modelled and tested to ensure forecasts remain accurate.
- ensure that the underlying drivers of its previous deficit are reviewed and monitored to ensure the Trust is in a strong position for discussion with the ICS and regulators when the revised financial architecture for the medium-term is agreed.
- continue to focus on developing sustainable recurrent efficiency programmes which will result in financial savings alongside improvements in quality and patient outcomes.

Why/impact

The Trust has an underlying financial deficit of £111.419m and has only achieved a surplus or break even position due to additional support received including in the current year. Although the Trust has improved financial management in recent years, the underlying financial position remains in a deficit position. The accelerated move towards system working, in part due to the pandemic, should allow the Trust to work together with its partners in the ICS to achieve the economies of scale to begin to move towards a sustainable financial future with improvement patient care.

Auditor judgement

This is not considered to be a significant weakness given the pandemic, but as the Trust returns to a 'business as usual' state it will need to revisit its medium-term projections and savings plans when greater clarity is provided.

Summary findings

The Trust has been operating in unprecedented times which has required attention to be moved away from 'business as usual' activities to focus on a response to the pandemic. In common with other organisations the medium-term planning has not been formalised due to lack of guidance. The Trust endeavoured to look ahead and consider the high-level financial outlook and acted in line with central guidance as it became known. Further action is now required to develop realistic and achievable plans which reflect the new ways of working.

Management comment

The Trust is reviewing the drivers of the system deficit as part of the ICS Financial Planning work for both the second half of 2021-22 and the initial working for 2022-23. All CIP schemes are now focussed on recurrent efficiency and cost removal with non-recurrent savings not classified or discussed as CIP. All recurrent CIP schemes are reviewed for both quality and equality impacts prior to implementation. The reduced capacity as a result of infection prevention and control measures in light of covid-19 is being modelled under different scenarios to estimate the impact on elective and non-elective activity levels and significant resource is being put into system level planning to differentiate between recurrent underlying capacity and non-recurrent additional capacity. Lead: Chief Finance Officer.



The range of recommendations that external auditors can make is explained in Appendix C.

5. Governance



We considered how the NHS Trust:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Monitor and assess risk and internal control

The Trust has a number of measures in place to ensure that risks are identified, assessed and monitored.

North Bristol Trust's risk management arrangements, including the Board Assurance Framework, aim to identify, assess, monitor, escalate, mitigate and report risks that affect its objectives and the safety and quality of services. The Trust has recently completed a review of the risk management framework, including both the Corporate Directorates and Clinical Divisional level arrangements.

Risks are RAG rated and scored with evidence of ownership and mitigations, where appropriate. The number of risks and the focus on key risks reported is in line with expectations and the risks reported align with our understanding of the Trust.

From our review, we are satisfied that the risks identified are managed and reported appropriately and that there is sufficient challenge and monitoring of risk owners.

The Trust has an effective internal audit function that provides assurance over the effective operation of internal controls. Internal audit attend each Audit Committee and provide members with an update on work completed to date, any significant issues and work yet to be completed to inform the overall Head of Internal Audit opinion. From attendance at the Audit Committee, we note that progress to ensure timely resolution is monitored and challenged.

The Trust's internal auditor delivers a wide programme of work and the reports support the Audit Committee in assuring itself that systems, processes and controls are operating effectively. Similarly, the Trust has appointed a counter fraud specialist service to undertake a programme of work to support the Audit Committee, including a mix of proactive and investigatory work. Findings are reported appropriately.

Internal Audit have completed their work for the 2020-21 financial year as set out in their Audit Plan. The Head of Internal Audit Opinion is one of: 'Significant assurance with minor improvements required' confirming that there is generally a sound system of internal control which is designed to meet the Trust's objectives and that controls in place are being consistently applied in all key areas reviewed.

The Audit Committee has a key role to play in ensuring the overall effectiveness of internal controls and recommendations are tracked. The Committee discharges this function appropriately by adhering to its terms of reference and challenging officers in relation to internal and external audit findings. However, the Trust does not maintain a central log of recommendations from Internal Audit, External Audit and Counter Fraud reviews that is reported or monitored by the Audit Committee as Those Charged with Governance. An improvement recommendation has been raised as a result.

Governance in Budget setting

As reported earlier in this report, the budget setting process in 2020-21 and 2021-22 has differed from the usual process, due the pandemic and the interim financial regime in operation. Normal planning processes were suspended before the Operational Plan could be implemented. Financial arrangements are monitored and challenged at the Finance and Performance Committee which meets monthly and reports upward to the Board. The Committee was kept apprised of the process as it changed over the year and has considered the planning proposals throughout the year.

Financial Reporting and Budgetary Control

A planning group pulls together the overall annual plan and any in year updates. The group includes representative from Finance, Performance, Workforce and Estates and the Capital team. The group meets weekly and its outputs go through the normal Trust governance processes, up to Board, where challenges are made from all impacted parties (Operations, HR, Finance, Clinical). These plans are then shared in detail with the Integrated Care System.

The reports also contain benchmarking data, against the other provider trusts nationally. KPI scorecard include a rolling 13-month period for comparison, national and local targets and recovery trajectories where applicable. This provides the Trust with a comprehensive measure of its performance and provides a basis for further challenge on both capital and revenue spend. Variances against budgets are investigated to identify reasons for variances and the actions required. Reporting is considered to be sufficiently detailed.

There is no evidence of serious or pervasive weaknesses in financial statement audit processes. The standard of financial statement production has been good and there is no history of failure to meet statutory reporting deadlines.

Our work on the review of the IT systems identified weaknesses in relation to the segregation of duties within the Trust's finance system. Two recommendations for improvement were raised in our Audit Findings Report relating to the financial statements audit; these were accepted by management.

Informed Decision Making

The Trust has appropriate policies in place to ensure that information is reported to decision makers (mainly the Board) via regular reporting, such as the monthly Finance Report and Integrated Performance Report. There is a clear Schedule of Decisions which is reserved for the Trust Board, and this includes key strategic decisions - for example, adopting organisational structures, processes and procedures to facilitate the discharge of the Trust's business.

The Trust Business Case Review Group (BCRG) has attendees from all functions in the hospital, all business cases over £50,000 are considered through the BCRG before going through any of the Trust's other governance processes. The business cases are managed through a clinically prioritised investment management process and are also subject to Quality Impact Assessments and Equality Impact Assessments.

Any changes to clinical pathways that impact service users are managed through the Patient and Carer Committee to the Board which is chaired by a Non-Executive Director and is attended by the Director of Nursing and Quality and the Deputy Medical Director. This Committee considers the impact of change on end service users. Its purpose is to raise the profile and visibility of patient experience at Trust Board level and provide assurance to the Board, set the strategic direction to improve patient experience with the purpose of achieving the Trust's strategic aims.

There is evidence of system working and appropriate governance arrangements in place. The Trust is an active participant within the local system and lead on several areas. The Trust are part of a planning and oversight group which reports up to the Integrated Care System governance structure. The Healthier Together Partnership Board has representation from each of the partnership bodies from across the South West health economy. The governance structures are well established and continue to develop as a result of the anticipated new statutory ICS in April 2022.

Ensuring Appropriate Standards

Standards and compliance is a key priority for the Trust with clear policies and procedures outlined and published on its website. These include areas such as infection control, safeguarding, equality and diversity and sustainable development.

The Trust's standing financial instructions include a scheme of delegation which forms part of its standing orders. This provides controls to mitigate the risk of fraud from individuals with decision making authority. The Trust has a Fit and Proper Persons Policy which is overseen by the Board Secretary who maintains a record of checks. A paper is taken annually to Trust Board confirming compliance.

The Trust also has a Freedom to Speak Up (Whistleblowing) Policy which encourages staff to raise concerns to improve the services for patients and working environment for staff.

The Trust's declaration of interests policy sets out how the Trust monitors and oversees interests which also covers gifts and hospitality. It sets out clear guidance in respect of gifts, hospitality, and outlines the potential consequences of noncompliance. The Board Secretary maintains a declaration of interest register in line with the policy. We have not identified any instances of interests not being declared.

Conclusion

Overall, we found no evidence of any significant weaknesses in the Trust's arrangements for ensuring that it makes informed decisions and properly manages its risks. An improvement recommendation has been raised in relation to the maintenance of a central audit recommendation log.

Improvement recommendation



Recommendation	The Trust should consider maintaining a central register of open recommendations made by assurance providers or regulators. This should be updated by each responsible director and monitored at each Audit Committee meeting.
Why/impact	A central register of open recommendations will give greater oversight to Those Charged with Governance and time taken to address the recommendations can be monitored with intervention undertaken where delays are occurring.
Auditor judgement	This is not considered to be a significant weakness, but a recommendation has been raised to highlight best practice.
Summary findings	We identified that the Trust does not currently maintain a register of open recommendations.
Management comment	The Trust recognises the benefit that maintaining a central log of recommendations from internal audit, external audit, and counter-fraud reviews would bring in terms of giving greater oversight and assurance that recommendations are being progressed in a timely and consistent manner. A log of open actions from internal audit is already maintained via the internal audit function and is currently shared on an ad hoc basis with the Director of Corporate Governance. This log will be expanded to include recommendations from counter fraud and external audit and will be reviewed and monitored via the Executive Team meetings ahead of each quarterly Audit Committee meeting. The intention is for this to be implemented from November 2021. Leads: Director of Corporate Governance & Chief Finance Officer



6. Improving economy, efficiency and effectiveness



We considered how the NHS Trust:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Procurement and commissioning

North Bristol Trust is part of Bristol & Weston NHS Purchasing Consortium (BWPC). BWPC provides a comprehensive range of purchasing services to support local trusts and healthcare providers.

They are NHS employees hosted by North Bristol NHS Trust and services include all aspects of clinical and non-clinical purchasing (excluding drugs), supply chain management and capital equipping (CES) and their system tools include e-tendering, reporting, spend analysis and order management.

Close working relationships within the partnership and also collaboration with other organisations brings economies of scale, sharing of data and best practice so that savings and efficiencies are maximised. BWPC work closely with the Trust to support compliance with all purchase-to-pay procedures and delivering improved efficiencies in all areas including automation, consolidation of invoices, strictly controlled access to purchasing systems and so on.

The Trust under BWPC have a procurement strategy in place which clearly sets out the steps required for any procured goods or services, excluding commissioned healthcare. However, this strategy is out of date and required an update in 2019. Therefore, an improvement recommendation has been raised to address this.

There is no evidence of the Trust failing to operate a fair procurement strategy. There are clear sections related to scheme of delegation, approval of business cases, contract management and tendering and contracting procedures in the Trust SFIs. One of the responsibilities of the Finance and Performance Committee per their terms of reference is to seek assurance on mitigations for financial and operational risks from contracting and planning with commissioners. Quarterly reports are also provided to Audit Committee to highlight any single tender waivers and general performance. Mitigations and reasons for each single tender waiver are outlined and discussed as part of the meeting which allows scrutiny by members.

How financial and performance information has been used to assess performance to identify areas for improvement

The Trust has a range of performance indicators that are reported monthly in the Integrated Performance Report (IPR) to the Board and relevant sub committees. Financial and Performance Data is first assessed by the Quality and Risk Management Committee and the Finance Performance Committee prior to reporting to the Board. In these forums the data is challenged and subject to scrutiny where relevant.

Each of the performance areas has an owner and responsible officer who manages the data.

The report does not specifically include monitoring of performance across the Integrated Care System but individual indicators which require cross-party working do specifically report on actions taken alongside the Clinical Commissioning Group (CCG). These include agreed joint actions including patient discharge across the system and use of North Bristol Trust specialisms.

Working with Partners

In February 2021, the government published proposals to restructure parts of the NHS, with CCGs, which have commissioned services from provider trusts, being disbanded and Integrated Care Systems (ICS), which will subsume these responsibilities, moving to a statutory footing.

Healthier Together is the Bristol, North Somerset and South Gloucestershire (BNSSG) Integrated Care System (formerly known as a Sustainability and Transformation Partnership). The Trust is an active partner in the Healthier Together Partnership. Healthier Together represents a commitment to work together on improving health and care in Bristol, North Somerset and South Gloucestershire. The Partnership is about tackling the issues that matter most and finding ways to continue providing safe, high-quality care for generations to come. The development of the ICS aspires to move from a reactive and ultimately competitive model to a more proactive integrated approach to delivering healthcare to the local population. Members of the Trust's management team are part of the management arrangements of the ICS including the Finance Directors Group and the Chief Operating Officers group.

One indicator where the Trust performs below the national average relates to delayed transfer of care. This occurs when an adult patient is medically fit to go home and is still occupying a bed. This continues to be an area of focus for the Trust and demonstrates good partnership working. The Trust are engaging with partners as part of the accelerator programme to review where extra bed capacity can help the flow of patients across the Integrated Care System and also how there can be an increased reliance on community partners for local non-hospital care.

The views of the public, patients, staff and voluntary sector form a significant role in shaping the future of the local health and care services.

The Trust has appropriate arrangement in place to engage and work with partners.

Evaluation of Services

The Trust had its most recent Care Quality Commission (CQC) inspection conducted in September 2019, where the Trust was rated as 'Good'. Due to the restrictions in place as a result of the Covid-19 pandemic, no further full assessments have been undertaken at the Trust since then and so the aforementioned rating – which apply to the Trust as a whole – is still applicable.

The September 2019 inspection noted a marked improvement in the majority of areas since the prior review in 2018 where the Trust had been rated as 'requires improvement overall'.

The CQC review found areas for improvement including a breach of one legal requirement that the Trust must put right. In response to this, the Trust were required to commit to an action plan. The action plan was sent to the Inspection Manager, who confirmed that the report and action taken was sufficient to mitigate the action appropriately.

The CQC inspection results and standards are a key focus for the Trust. From review of Board and other committee minutes, CQC standards and implications are a standing element for each of the areas discussed. Updated policies including the Quality Strategy 2020-24, Learning from Deaths Policy and Standard Operating Procedures were all developed and improved as a result of the review. The CQC actions plan and follow up visits are also a key staple of the Board Assurance Framework which remains under continuous review by the Board.

Despite operational challenges as a result of the pandemic, the Trust continue to have responded to regulatory recommendations appropriately, with progress monitored by the Quality and Risk Committee.

The CQC actions appear to be a key area of focus for the Trust and there is no evidence to suggest that there has been a failure to implement recommendations.

Benchmarking

The Transformation Office supports the Trust's Get It Right First Time (GIRFT) national clinical peer review process through support to each clinical division. Part of a GIRFT peer review considers the cost effectiveness and efficiency of delivering a service across specialties within the Trust when compared to peer trusts.

Cross-cutting themes are considered by the GIRFT group including coding accuracy, litigation costs and surgical site infections (SSI). NBT hold monthly meetings which are attended by the Trust GIRFT leads, Deputy Medical Director and Director of Transformation.

In addition to the Integrated Performance Reports benchmarking and GIRFT and other regulatory reports, the Trust also has access and makes use of other benchmarking tools. These include local benchmarking, cost data, staffing data, national purchasing spend and more granular benchmarking data.

There is clear evidence that the Trust use benchmarking and peer reviews to identify but most importantly implement improvements within the Trust.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation	We identified that the Trust's Procurement Strategy covered the period to 31 March 2019. We recommend that a review and update of the policy is completed at the earliest time that is practical.
Why/impact	An out-of-date policy can impact on procurement decisions and monitoring of current contracting arrangements through the relevant governance processes.
Auditor judgement	This is not considered to be a significant weakness, but a recommendation has been raised to highlight best practice.
Summary findings	We identified that the Trust's Procurement Strategy covered the period to 31 March 2019 and an update is required.
Management comment	The Trust recognises that the period covered by the existing procurement strategy has expired and that a refreshed strategy is overdue. A strategy reflecting the move to an Integrated Care System and the impact of the pandemic response will be developed and taken through appropriate governance by 31 December 2021.



7. COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how NHS services are delivered.

We have considered how the Trust's arrangements have adapted to respond to the new risks they are facing.

Financial sustainability

As set out on pages 6-8, the impact of Covid-19 has radically altered the planning and financial systems within the NHS. Business as usual was suspended to allow the system to respond to managing the pandemic and the uncertainty that it created. Moving to an expenditure-based system to ensure that providers had the funding they needed to provide patient care. Funding allocations were set nationally by NHSE/I to remove the need for contract negotiations. The Finance and Performance Committee and Board has reviewed the funding and budgets as the year has progressed.

This change to the funding regime based on actual expenditure has benefitted the Trust as demonstrated by the improved financial outturn delivered in the year. The Trust delivered a surplus of £0.5m compared to the forecast deficit of £24.7m.

Funding for 2021-22 remains highly uncertain. The Trust has received notification of amounts for H1 (months 1-6) which has led to the Trust needing to set more flexible budgets and to re-visit these in year once funding for H2 (months 7-12) is released.

Governance

The Trust reacted quickly to the emerging pandemic and revised its governance structure to adapt to the quick changing environment and clinical priorities. A Covid-19 Command and Control Structure comprising gold, silver and bronze levels was set up early in the pandemic. Updated Standing Financial Instructions (SFI's) were implemented to cover the deviation from the Trust's Standing Orders where required.

The Board and associated Committees have maintained a key interest in the Trust's response to the pandemic over the past 18 months. A good level of quality documentation has been maintained to support changes made, with the Board informed at each meeting. Covid-19 updates such as vaccine and Nightingale Hospital developments were taken to each Board meeting. Standing items such as the Integrated Performance Report and Financial Update continued to be produced in detail throughout the pandemic and took into account the impact of Covid.

These implementations which have been regularly monitored and updated, have enabled the Trust to ensure that its approach remains in line with evolving NHSE/I and Government guidelines. The interim processes put in place for approving updates to standard procedures has enabled the Trust to adapt rapidly as required to changes in national guidance and demand whilst also continuing to consider the governance implications on decision making.

COVID-19 arrangements

Improving economy, efficiency and effectiveness

Patient case activity and performance against statutory targets has been impacted significantly by the pandemic, both at the Trust and nationally. The funding regime for 2021-22 includes access to an elective recovery accelerator programme fund which began in April 2021. The Trust is part of a pilot programme to increase elective activity levels. Increasing elective activities as the year progresses is essential for the Trust to address waiting times and manage patient demand.

The Trust has been mindful of the impact on the pandemic on its staff. Actions have been put in place to support staff wellbeing and supporting staff remains a key priority for the Trust. The Board approved an additional wellbeing day for all substantive staff to recognise the ongoing pressure faced by staff as a result of Covid-19.

Nightingale Hospital

During the early stages of the pandemic a risk was identified at a national level that hospital critical care capacity may not be sufficient for the demand as a result of the crisis. Therefore, in late 2019-20, the Trust was nominated as the host organisation for the NHS Nightingale Hospital Bristol (NHB) facility, as part of the regional coronavirus pandemic response. The licence for the Nightingale Hospital building was held between NHSE&I and the University of the West of England. The Trust were accountable to NHS England for the setting up and operation of the new unit at pace to provide additional ICU bed capacity for the Severn Network area of the West of England.

The Trust Board agreed specific amendments to the Trust's Standing Orders and Standing Financial Instructions, creating a streamlined process for financial decision making relating to the facility.

Ultimately the NHB was not required to operate as a Covid-19 field hospital; however, it remained on standby throughout 2020-21, and decommissioning works commenced at the end of March 2021.

During March 2021, the Trust reported an additional cost of £4.8m related to running the Nightingale facility. The costs of running the Nightingale Hospital were treated as "pass-through costs" funded in full by NHSE in the similar mechanism as retrospective top-up in M1 to M6 of 2020-21.

The Trust commissioned an internal audit review of the Nightingale Hospital facility and associated governance procedures during 2020-21. The review was given a rating of "Significant assurance with minor improvement opportunities", providing assurance that the process had been appropriately managed.

Conclusion

Our review has not identified any significant issues with regard to this the Trust's Covid-19 arrangements.

8. Opinion on the financial statements



Audit opinion on the financial statements

We gave a qualified opinion on the financial statements on 29 June 2021 to reflect a limitation of scope over the opening inventory balance. Due to the national lockdown arising from the Covid-19 pandemic in March 2020, we were not able to observe the counting of inventory at 31 March 2020 or satisfy ourselves by alternative means concerning the inventory quantities held at that date. Therefore, we are unable to determine whether any adjustment to this amount at 31 March 2020 was necessary or whether there was any consequential effect on opening balances for the year ended 31 March 2021. This is consistent with other NHS trusts that had material stock at 31 March 2020.

Whole of Government Accounts

To support the audit of Consolidated NHS Provider Accounts, the Department of Health and Social Care group accounts, and the Whole of Government Accounts, we are required to examine and report on the consistency of the Trust's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office. In the group audit instructions, the Trust was selected as a sampled component.

We reported a number of mismatches with other counterparties above £300k arising from the NHS Agreement of Balances exercise in our Audit Findings Report.

Preparation of the accounts

The Trust provided draft accounts in line with the national deadline. The Trust were granted an additional two weeks to prepare the accounts as a result of being a Nightingale Hospital host body.

Issues arising from the accounts

The significant issues reported as part of our financial statements audit, related to weaknesses in segregation of duties in relation to the Trust's finance system. Two recommendations for improvement were raised relating to the financial statements audit. Both recommendations were in relation to segregation of duties conflicts between Trust staff with IT system administrator privileges and financial responsibilities in the Oracle general ledger and the Electronic Staff Record system.

Audit Findings Report

More detailed findings and information on adjustments made can be found in our Audit Findings Report, which was published and reported to the Trust's Audit Committee on 24 June 2021.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



Appendices

Appendix A - Responsibilities of the NHS Trust



Role of the directors of the Trust:

- Preparation of the statement of accounts
- Assessing the Trust's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The directors of the Trust are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are required to comply with the Department of Health & Social Care Group Accounting Manual and prepare the financial statements on a going concern basis, unless the Trust is informed of the intention for dissolution without transfer of services or function to another entity. An organisation prepares accounts as a 'going concern' when it can reasonably expect to continue to function for the foreseeable future, usually regarded as at least the next 12 months.

The Trust is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B - Risks of significant weaknesses - our procedures and conclusions

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, the conclusions we have drawn and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
Financial sustainability was identified as a potential significant weakness	<p>We :</p> <ul style="list-style-type: none">• reviewed the Trust's 2020-21 outturn position;• reviewed the progress for responding to the changes and uncertainties inherent in the 2020-21 financial planning process;• considered the Trust's arrangements and progress towards working more closely with partners across the region to achieve a sustainable financial position in the longer term; and• reviewed the general financial arrangements underpinning financial management.	<p>The underlying structural deficit and the progress towards bringing the Trust back to financial balance over the medium term resulted in the identification of a risk of significant weakness in our Audit Plan for the 2020-21 financial year. The changes in funding and the planning regime as a result of Covid-19 has allowed the Trust to deliver a small surplus in year. The Trust has continued to engage with its partners and Covid-19 has accelerated system working nationally.</p> <p>We have considered the arrangements the Trust has in place to deliver financial sustainability over the medium to longer term, together with its consideration of the risks to delivery and we are satisfied that there are no significant weaknesses in this area for 2020-21.</p> <p>However, the financial challenge over the medium term remains high and work is needed to ensure that adequate efficiencies are identified and delivered to mitigate this risk.</p>	Appropriate arrangements are in place. One improvement recommendation raised.

Appendix C - An explanatory note on recommendations

A range of different recommendations can be raised by the Trust's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Trust under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/a
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Trust. We have defined these recommendations as 'key recommendations'.	No	N/a
Improvement	These recommendations, if implemented should improve the arrangements in place at the Trust, but are not a result of identifying significant weaknesses in the Trust's arrangements.	Yes	Pages 8, 12 & 15

